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GOVERNOR

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January 8, 2021

Honorable Members of the 130th Legislature:

When I took office in 2018, the State of Maine faced significant challenges that undermined our prospects for success, including a lack of affordable health care coverage for families and small businesses, inadequate resources to improve our education system, a serious workforce shortage, and a devastating opioid epidemic.

Certain state agencies were so inadequately staffed that they were severely limited in their ability to meet their basic responsibilities to protect public health and safety: to ensure quality education and affordable healthcare; to protect children from abuse and neglect, to care for our most vulnerable citizens and to boost our workforce and ensure that hard working families have good paying jobs to put food on their table.

In crafting my first biennial budget in 2019, I sought to use our limited resources responsibly in order to restore the critical services of state government, addressing the barriers to opportunity for Maine families, paying the debts accrued in previous years, saving for a rainy day and jumpstarting long-term economic growth in our state.

After months of conscientious work by Democrats and Republicans to build consensus, the biennial budget was enacted with the bipartisan support of two thirds of the Legislature.

Among the investments of that bipartisan budget, during the first two years of my Administration we:

- Restored Maine's public health infrastructure;
- Fulfilled the will of Maine people by sustainably funding Medicaid Expansion. More than 70,000 people are currently enrolled through MaineCare expansion who can now see a doctor, afford prescription medications and stay healthy, remaining in the workforce and providing for their families;
- Increased the State share of K-12 public education funding (General Purpose Aid or GPA) to more than 50 percent for the first time in a decade;
- Invested in Maine workers, young adults and children by putting Maine on the path to a \$40,000 minimum teacher salary for the first time and by funding pre-kindergarten and adult education and training programs;



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- Provided relief for property taxpayers by increasing the Homestead Exemption, expanding eligibility for the Property Tax Fairness Credit, and increasing revenue sharing; and
- Added more than \$50 million to the Budget Stabilization, or “Rainy Day” Fund.

The biennial budget was the foundation for Maine’s future, but we didn’t know at the time how critical those investments would be.

While we were experiencing challenges like any other state, a year ago Maine’s economy was moving in the right direction. The number of jobs in Maine was on the rise, unemployment was at a near all-time low and average wages were increasing.

Last February, the non-partisan Revenue Forecasting Committee projected that the State of Maine would have excess revenues, coming in above expenses by more than \$40 million for Fiscal Year 2020 and more than \$34 million for Fiscal Year 2021.

Maine’s economy was getting stronger, but a global pandemic would soon stand in the way of our progress.

In March of 2020, desperate to stop the deadly spread of the novel coronavirus, governors across the country instituted restrictions to protect public health, while businesses of all sizes were grappling with heavy losses and millions of people were finding themselves newly unemployed.

We could foresee the negative economic impact of the pandemic on the State of Maine but did not know the full extent. We did not wait to find out. My Administration responded with fiscal pragmatism to immediately stabilize the state budget and rein in spending.

In March, we worked with the Legislature to enact a bipartisan supplemental budget focused primarily on responding to COVID-19. The Legislature put politics aside and united to quickly protect the health of Maine people in the face of this unexpected emergency.

The supplemental budget of last March reduced spending commitments and left untouched what amounted to \$184 million. At the same time, I instructed state agencies to apply an emergency-basis scrutiny to new hiring and we restricted access to unencumbered balances.

Following their meeting in July 2020, the Revenue Forecasting Committee projected that the State of Maine would face a \$527.8 million budget shortfall because of the pandemic for Fiscal Year 2021 and \$883.2 million for the Fiscal Years 2022-2023 in the General Fund alone.

While we took immediate action at the outset of the pandemic to effect savings across state government, there remained a \$422 million gap in the General Fund which we needed to close to balance the budget.

To that end, while minimizing the impact on critical programs, such as GPA for education and critical State government personnel, in September we identified \$422 million in strategies to put



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the budget back into balance, including a curtailment order I signed to reduce state spending commitments by \$222 million for Fiscal Year 2021.

Last month, thanks in large part to \$7.6 billion in federal coronavirus relief funds that poured into Maine, the Revenue Forecasting Committee improved its previous forecast, projecting a \$255 million shortfall – instead of \$527.8 million – for Fiscal Year 2021. The Revenue Forecasting Committee also improved its revenue forecast for the next biennium, predicting \$8.1 billion in revenue and a shortfall of \$395.8 million – instead of \$883.2 million – for Fiscal Years 2022 and 2023.

Though still below pre-pandemic figures, the revised revenue forecasts spread the initial COVID-related shortfall over three years, reflecting the success of our early fiscal response – and offering us modest breathing room.

This breathing room allows us to fund our remaining commitments for Fiscal Year 2021 and balance the current biennial budget, while also carrying over remaining resources to cover the shortfall in the forthcoming biennium.

Today, some of the challenges we face are greater than ever before.

- As of January 7, 2021, more than 27,625 Maine people have been diagnosed with COVID-19, more than 1,135 have been hospitalized and 385 have died;
- The unemployment rate in Maine has decreased but is still far higher than before the pandemic at 5 percent. Meanwhile, labor force participation during the pandemic is at its lowest level since the late 1970s;
- Thousands of children and families have transitioned to learning and working remotely to stay safe during the raging pandemic, often handicapped by insufficient internet access or none at all; and
- At the same time, we lost 258 people to drug overdose deaths in the first two quarters of 2020, a 27 percent increase over the last two quarters of 2019. There is no question in my mind that the pandemic – and the availability of more deadly illegal drugs – has exacerbated the opioid epidemic. Although we have expanded prevention, treatment and recovery efforts to reach those struggling with substance use disorder during the pandemic, we expect the number of overdose deaths in the remaining quarters of 2020 will be higher than previous years.

My first biennial budget was about HOPE – health, opportunity, prosperity and education for Maine people. Now I am submitting to the Legislature a supplemental budget for Fiscal Year 2021 and a biennial budget for Fiscal Years 2022-2023 which I believe renews the hope for a better and brighter future for all Maine families.

These proposals maintain the critical services we restored in the last biennium and bolsters our response to the still raging pandemic, while tightening our belts and maximizing savings.



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These proposals do not change tax rates and do not create new programs. They not only preserve the State's Budget Stabilization Fund, but we bring it to a record high so as to help the State maintain solid financial footing and be prepared for any fiscal crisis.

By tightening our belts wherever possible and maximizing non-General Fund resources such as federal funds, I am proposing in the supplemental and biennial budgets to continue rebuilding public health infrastructure and hold steady critical investments in health care, education and economic development, including:

- \$3 million more to the Maine Center for Disease Control and Prevention (Maine CDC) to fund the Health and Environmental Testing Lab, the Health Inspection Program, the Maine Immunization Program and the Public Health Emergency Preparedness Program (biennial);
- \$5 million for Maine CDC for COVID-19 testing, vaccines and services for people who need to stay in isolation and quarantine (supplemental);
- To further fulfill the State's commitment to vulnerable Maine people, \$6 million to fund Section 29 services for adults with developmental disabilities in their homes and communities by an additional 30 slots per month (biennial); \$45 million for MaineCare rate increases for nursing facilities, residential facilities for children and older Mainers, services for adults with intellectual and developmental disabilities and other providers as rates are renewed, per federal requirements (biennial);
- \$7.5 million for mental health and substance use disorder services including funds for community mental health and \$2 million for the OPTIONS (Overdose Prevention Through Intensive Outreach, Naloxone and Safety) Initiative to dispatch mobile response teams in every Maine county and communities with high rates of drug overdoses (biennial);
- \$45 million for General Purpose Aid for K-12 public education, making progress towards a minimum teacher salary of \$40,000 and allowing local districts to manage in-person, remote, and hybrid learning options during the pandemic. If approved, the increase in the State's commitment to GPA from 51.78 to 51.83 percent will result in the highest level of state funding for education ever achieved (biennial); and
- \$1.8 million to expand broadband into areas with inadequate service (supplemental).

The combined budgets add \$61 million to the Budget Stabilization Fund, otherwise known as the Rainy Day Fund, across the three Fiscal Years to help the State weather the pandemic and as a hedge against future fiscal crises. If approved, these budgets would increase the Budget Stabilization Fund to more than \$320 million, a record amount of savings.

I also propose adding \$25.5 million to the Medicaid Stabilization Fund to budget responsibly for MaineCare.



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My biennial budget proposal balances any increases in departmental spending with reductions elsewhere, while avoiding layoffs and ensuring vital services. It carries forward some of the cost savings measures of last year – such as hiring freezes on certain vacant positions – and maintains strict scrutiny of additional expenditures.

In all, my budget proposal for Fiscal Years 2022-2023 would result in a \$8.394 billion budget, an increase of less than  $\frac{3}{4}$  of one percent (0.69 percent) – or \$57 million – over commitments in the baseline budget which amounts to \$8.337 billion. It largely holds spending flat. The slight increase results primarily from statutorily-mandated policies, such as teachers' retirement and retirees health insurance, General Purpose Aid for schools and a \$15 million commitment to maintain property tax relief for Maine people through the Homestead Exemption Program.

I have also submitted for your consideration proposals for Highway Fund budgets, including a supplemental proposal for fiscal year 2021 and a biennial proposal for Fiscal Years 2022-2023. The supplemental proposal is balanced and utilizes \$21.8 million in balance forward generated in Fiscal Year 2020. The biennial proposal, also balanced, matches spending with current revenue projections from the non-partisan Revenue Forecasting Committee and comes in at \$676 million, maintaining essential levels of service when combined with anticipated federal funds and bonding.

### Conclusion

State government cannot be all things to all people all the time. Nor can it solve all problems or address all needs of all the people of the state. But during emergencies such as the current pandemic, the people need to depend on us to protect their children, to secure their health care, to safeguard educational and vocational opportunity and to protect the most vulnerable of our citizens. I take seriously my obligation to be a responsible steward of taxpayers' dollars. I am also not going to walk away from, or abandon, Maine families in their time of greatest need.

We have taken smart steps since the outset of the pandemic to maintain critical services while curtailing spending.

Should our economy suffer another downturn we will remain in a strong position. This biennial budget proposal is \$300 million less than the Revenue Forecast Committee's \$8.7 billion revenue projection for Fiscal Years 2024 and 2025.

While the arrival of COVID-19 vaccines in Maine has brought us hope, it will be many months before all eligible people in our state are vaccinated while public health precautions keep people as safe as possible from this virus.

For almost a year, teachers and school staff have educated our children in hybrid, remote and in-person classrooms while protecting their health and safety; health care clinicians have worked around the clock to test and treat Maine people for a new and deadly disease; long term care providers and direct care workers have risked their own health to take care of older Mainers and those with disabilities in their homes and communities; children have learned and parents have worked remotely to keep themselves and others safe; and families have struggled to survive job losses and loss of income caused by a pandemic through no fault of their own.



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With the pandemic still raging, we can't abandon them now. Let's keep the ship of state steady as we weather this storm.

Last March we rose above politics to protect the health and safety of Maine people. Now we must do so again to enact a supplemental and biennial budget that chart our path out of the pandemic.

I pledge that, in my Administration, you will always find an open door, an open mind and an open heart. That door, of course, is virtual for now, but I will always listen those who are willing to do the hard work and offer concrete suggestions for improving the lot of Maine families.

Please stay safe.

Sincerely,



Janet T. Mills  
Governor



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